16. OTHERS

16.1 Delegated officials within PRO-POOR can approve payments. However an official delegated by the ED can not delegate further his or her authority to another person.

16.2 Long outstanding debtor balances should be written off in consultation with the legal advisor of PRO-POOR and against approval of the Board, after a failed reasonable effort to collect the money, especially when the debtor is deceased, the organization liquidated because of bankruptcy or his or her address is no more traceable.

16.3 Long outstanding creditor balances should be transferred to other income in consultation with the legal advisor of PRO-POOR and against approval of the Board, after a failed reasonable effort to settle the liabilities, especially when the creditor is deceased, or his/her inheritor could not be identified or his/her is no more traceable and the period of limitation has elapsed according to relevant laws.

17. REVISION OF THE FINANCIAL POLICY

18.1 Finance Section has to submit recommendations on improvement of the financial policy, which are not compatible with the changes and expansion of PRO-POOR periodically. Once the recommendations are approved by the management, the revised version of the policy manual should be released accordingly.

18. DOCUMENTATION

19.1 PRO-POOR should preserve its financial documents for at least 7 years

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PART II: FINANCIAL PROCEDURES

1. GENERAL ACCOUNTING PRACTICES

1.1 BOOKS OF ACCOUNTS

1.1.1 PRO-POOR should maintain books of accounts using Computerized Accounting System.

1.1.2 The books should include both the actual transaction and budget information.

1.2 SOURCE VOUCHER

1.2.1 DEFINITION AND TYPE

- Source vouchers are those documents that are prepared by PRO-POOR to describe or evidence accounting transactions from which computer data entry will be made. Examples are cheque payment vouchers, petty cash payment vouchers, cash receipts, journal vouchers, goods receiving notes and store issue vouchers etc.

1.2.2 PRE-NUMBERING, APPROVAL, FILING AND CONTROL

- Source documents must be pre-numbered, signed for preparation, checking and approval and prepared in an adequate number of copies for accounting and control purposes. All relevant supporting documents such as purchase order, purchase requisition, supplier's invoices, goods receiving notes, payee's receipt and acknowledgement of a receipt of goods, etc should be attached therewith as essential documentary evidence of transactions concerned.
- The original and all copies of cancelled vouchers must be filed properly.
- Adequate control must be exercised over the custody and issue of unused vouchers. See section 1.5

1.2.3 **Computer Entry**: The journal entries on the source vouchers are posted into the computerized system by the designated staff, which has the

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access password, to execute such operation after the documents are duly approved.

1.2.4 **Conversion Rates**: The conversion rate used to convert foreign currencies is the bankers' selling rate prevailing at the date on which the transaction takes place.

1.3 JOURNAL VOUCHERS

1.3.1 Journal vouchers will be used to record all transactions not evidenced by other recording documents like purchase and perdiem advance settlement, periodic adjustments (accruals) and correcting and reversing entries.

1.3.2 Journal vouchers should be per-numbered and prepared in two copies, one copy with supporting documents attached being filed in numerical sequence for posing, the other remaining in the pad.

1.3.3 The Senior Accountant must approve journal vouchers before they enter into the computer and the accountant who entered the transaction into the computer system will sign for posting.

1.3.4 Journal vouchers should be in the format *(SEE ANNEX 1)*, as this format facilitates identification and recording of ledger entries.

1.4 LEDGER ACCOUNTS

Ledger accounts comprise general ledger accounts and subsidiary ledger accounts, which contain detailed information in support of the general ledgers.

1.4.1 Posting of transaction to ledger accounts must be made daily from the cash receipts, check payment vouchers and journal vouchers.

1.4.2 Subsidiary accounts like receivable from staff members must be recorded in an integrated receivable control account and there is no need to have general ledger account for details of receivable from individual staff member.

1.4.3 Description of entries in each data entry windows should be brief and clear, the nature of the entry being fully described so that one could have a self-explanatory ledger. It is not correct to repeat the account heading, nor should descriptions such as "fuel expense", "stationary", "transfer" etc., be used.

1.5 UNUSED ACCOUNTABLE DOCUMENTS

1.5.1 Unused pads must be kept under lock key preferably kept by the Finance section but may be kept in a separate stationary store. Control over all unused vouchers must be exercised by the Finance section who should maintain separate memorandum records of unused for each type voucher, with the following format.

<table>
<tr><th colspan="5">Received</th><th colspan="6">Issued</th><th rowspan="3">No. Of Pads in hand</th><th colspan="2">Used pads Returned</th></tr>
<tr><th rowspan="2">Date</th><th rowspan="2">Ref</th><th rowspan="2">No. of pads</th><th colspan="2">Voucher No.</th><th rowspan="2">Date</th><th rowspan="2">Issued to</th><th rowspan="2">No. of pad</th><th colspan="2">Voucher number</th><th rowspan="2">Signature for receiving</th><th rowspan="2">Date</th><th rowspan="2">Initial</th></tr>
<tr><th>From</th><th>To</th><th>From</th><th>To</th></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
</table>

1.5.2 Unused vouchers should be issued only on the approval of the Senior Accountant against return of an equal number of used pads. Quantities issued should not be in excess of immediate requirements.

1.5.3 Periodic inventories of unused documents on hand should be taken by the Senior Accountant and agreed with the register of unused documents.

1.5.4 Unused outstanding cash receipt vouchers issued to cashiers to be recorded and verified at least once in three months

1.6 COMPUTER OPERATIONS

For any technical procedure on the usage of the system refer the user guide of the Computerized Accounting System.

1.6.1 ADOPTED COMPUTERIZED ACCOUNTING SYSTEM

- Should enable the generation of accounting information (reports) for both internal and external users.
- Should enable the tracking of individual transactions entered into the system.
- Should have a feature to segregate duties with in the finance section with the required access right.
- Should be multi-user.

1.6.2 When the Computerized Accounting System is in-house developed, it has to be reviewed periodically for additional requirements and it's compatibility to possible changes in operating system and working practices in PRO-POOR.

1.6.3 When off-the shelf accounting package is adopted, finance department is responsible for the periodic upgrading of the software in consultation with IT Experts (when late version released) However, the difference between the earlier and the new version should be valuable enough from the PRO-POOR's operation point of view before going for upgrading.

1.6.4 Working vouchers are prepared manually and all payments, receipts and Journals are coded (journalized) and entered into the computer.

1.6.5 Each member of finance section staff should have their own user ID and password to log into the system. User passwords have to be changed at least once in a quarter. When setting the user ID, the relevant right level has to be set according to the job assigned to the staff.
However, when assignment to the employees changed, the Senior Accountant needs to modify it. Allowing other staff to use one's password should be prohibited strictly.

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2. CHART OF ACCOUNTS

2.1 DEFINITION

- **Chart of Accounts**: The chart of accounts is list of the classification and coding of ledger accounts by the groups they belong to in the balance sheet and revenue and expenditure statement.

- **Assets:** Assets are properties owned by individuals or organizations. The asset components of the balance sheet are Cash/Bank, Account Receivable, Stock, Fixed Assets, other Noncurrent assets, etc.

- **Liabilities:** Liabilities are those groups of accounts that are owed to third parties. They are classified as current, long term and deferred liabilities.

- **Fund Balance:** Fund balance represents the accumulated balance of difference between revenue and expenditures i.e. balance brought forward and results of current year operations.

- **Revenues:** Revenue accounts constitute grants, donations, contributions, and other income generated activities, donations in kind and in free volunteer services to achieve the objectives of PRO-POOR

- **Expenditure:** These accounts constitute the group of expenditure accounts where funds are utilized for their intended objectives.

2.2 LISTING OF ACCOUNTS IN THE CHART OF ACCOUNTS

The listing of accounts in the chart of accounts follows the order of liquidity. It starts with the most liquid item, i.e. cash account and may end up with other expense accounts.

2.3 CHART OF ACCOUNTS OF PRO-POOR

2.3.1 STRUCTURE OF THE CHART OF ACCOUNTS

The following is the general structure

Activity/ Donor		Account Code		Donor Code		AD/OP
xxx	**-**	**xxxx**	**-**	**xx**	**-**	**xx**

The chart of accounts begins with a three-digit account number followed by three digit Donor number then by two-digit and two- digit Region identification. It should be noted that for the sake of good presentation, it is appropriate to leave a space between the assigned identification numbers.

2.3.2 BASIS OF THE CHART OF ACCOUNTS

Each Donor is considered as a separate entity. For this reason, the chart of accounts is designed to allow that a separate set of accounts be maintained for assets, liabilities, fund balance, revenue and expenses for each project. This is the basis on which the development of this chart of accounts is based.

2.3.3 HOW TO APPLY THE CHART

Whenever one donor supports more than one region, the Donor's ID could be repeated but each Region will take different region numbers. This enables to summarize the expenses by each region.

Whenever one region is supported by more than one donor, the expenses could be summarized by donors carried out under the regions, in which case, region number will repeat but the donor varies.

2.3.4 KEY FOR MAJOR CLASSIFICATIONS OF THE CHART OF ACCOUNTS

Description	**A/C**	**Project ID**	**Donor ID**
Balance Sheet Related Items			
Assets	100	00	00
Liabilities	200	00	00
Fund balance	300	00	00
Revenue and Expense Related Items			
Revenue	400	00	00
Program Expenditure	500	00	00
Administration Expenses	600	00	00

3. CASH RECEIVED

Receipt includes cash and cheque receipts, deposits and bank transfer in.

3.1 INTERNAL CONTROL

3.1.1 Cash received from Donors, government organizations, community, individuals, staff (settlement of advances) or from miscellaneous sources etc., will be evidenced by pre-numbered Cash Receipt Voucher *(SEE ANNEX 2)* prepared by the cashier in three copies. The cashier counts the cash and checks the total against the supporting documentation.

3.1.2 The cashier has to get the approval of the Senior Accountant before collection for those collections which are unusual and infrequent.

3.1.3 The cashier should have no part in the preparation of, or access to, the accounting records or cheque books other than cash receipt currently in use and bank deposit slips, petty cash vouchers, petty cash report and request forms.

3.1.4 Cash received by cashiers must be deposited to the bank intact daily, the making of any payment or advance out of cash received being expressly forbidden, and cheques received must be in the name of the PRO-POOR.

3.1.5 Cashiers should number bank deposit slips consecutively from one each year at the time of preparation. It is recommended to use a numbering machine for legibility.

3.1.6 Unused cash receipts must be kept in safe custody by the Senior Accountant and the receipt and issue of pads being controlled by a register. Such documents must be used in strict numerical sequence and the number of pads in the hands of clerks restricted to their immediate requirements. New pads should only be issued against return of an equal number of used pads which should be carefully scrutinized by the Senior Accountant for apparent correctness, i.e. that the documents follow in date sequence and there have been no alterations or erasures.

3.1.7 The cashier must record cash receipt and bank deposit slip in numerical sequence on a cashbook and on the daily cash collection and deposit report *(SEE ANNEX 3)*. The cashier's records must be subjected to regular verification by the Senior Accountant/Head of finance and periodic surprise counts of cash on hand should be made.

3.2 RECORDING

3.2.1 Cash receipt vouchers must be stapled in numerical sequence together with the corresponding deposit slip and daily cash collection and deposit summary. The cashier shall pass the cash receipt voucher with the corresponding deposit slip and daily cash collection and deposit summary to the Senior Accountant. The cashier is then no more responsible for the collection documents once he/she passed it to the Senior Accountant.

3.2.2 The Senior Accountant will check the correctness of the cash receipt and deposit slips daily, verifying that;

- Cash receipts are submitted in sequence and all numbers accounted for: the original and all copies; other than the pad copy, of cancelled receipts are attached.
- Deposit slips are referenced to the cash receipt to which they relate and are numbered consecutively;
- The total of cash receipts should equal with the total value of the deposit slips. If there is a variation, and if the variation is not a result of cash collected after bank working hours, appropriate action should be taken by the Senior Accountant.

3.2.3 The journal entry for cash receipts:

Dr Cash on hand -by the appropriate cashier account.

Cr. The appropriate account- Income, staff account, Donation/Grant, community contribution etc

3.2.3 The journal entry for Deposit slips

Dr. Cash at Bank -by the appropriate bank account

Cr. Cash on Hand -by the appropriate cashier' account

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4. DISBURSEMENT

This section deals with the accounting procedures and internal controls concerning disbursements.

Disbursements are made out of cash funds and bank accounts. The accounting procedures for disbursement are split into the following sections:

1. **Bank disbursements**: cheque payments and bank transfer out
2. **Cash disbursements**: petty cash payments

For all payments, site, program, the Donor's name, and the project description has to be filled in on the payment documents. Without filling such information, it will be difficult for the accountants to journalize the transaction in line with the budget details.

4.1 CHEQUE PAYMENTS

4.1.1 INTERNAL CONTROL

- New cheque books received from the bank must be checked for completeness; kept in safe custody and the serial numbers recorded in a register of unused cheque books to be maintained by the Senior Accountant in the format shown below

Date Received From bank	Serial No.		Date Issued	Recipient		Date Used Stub returned	Signature For return
	From	To		Name	signature		

- Cheque books are collected from the bank by the Senior Accountant or any one of the signatories in his/her absence. When a signatory, other than the Finance officer, collects the cheque book, he/she will deliver the cheque in the day of collection to the person delegated by the Finance officer.

- Only one cheque book at a time should be issued (to the accountant in charge of preparing the cheque) for cheque preparation against return of a completed cheque book stub, which should be reviewed by the Senior Accountant for completeness. The accountant who is responsible for the preparation of cheques should sign in the register of unused cheque book for receipt of new cheque book and the Senior Accountant for the return of the stubs.

- Used cheque book stubs should be filed in date order by the Finance officer.

- All payments above Br. 1,000 must be made by cheque.

- Cancelled cheques should be stamped VOID, and should be stapled and retained in the cheque book.

- Blank cheques must never be signed on.

- **Payment Authorization**: cheque must be signed by two signatories, where one of the signatory must be the Senior Accountant. The Senior Accountant may sign the cheque together with the ED in accordance with the authorization limit.

- Cheque payment of a single transaction should not be split

- Authorized cheques not collected in thirty days should be cancelled.

- Cheque should not be prepared in the name of signatories except those personal payments (salary, per dime and the likes)

- Advance payment for purchase should be settled in ten days from the date of preparation. Cheque issued to a purchaser not settled in fifteen days shall be reported to the Senior Accountant for appropriate action.

4.1.2 CHEQUE PREPARATION AND SIGNATURE

- Cheque may only be prepared against request for payment form *(SEE ANNEX 6)* in two copies which is to be approved for payment by the appropriate officials (Senior Accountant, Program coordinator/Manager, ED).

- The request for payment form should be filled by the requesting department and forwarded to the finance section. The Senior Accountant will then issue the request to the budget accountant (or assigned accountant). If the request is in accordance with the budget, the budget accountant will sign for availability of budget and transfer the form to the accountant who is in charge of preparing the Cheque Payment Voucher.

- Cheque payment will be evidenced by pre-numbered Cheque Payment Vouchers *(SEE ANNEX 7)* in two copies. Cheque Payment Vouchers should be signed by the accountant for preparing, and the Senior Accountant for checking correctness. The Finance officer will certify the payment and the person who will sign the cheque will sign on the payment voucher for approving the payment in accordance with the authorization limit stated in items section 4.1.1 above.

- If the payment request is not supported by budget, the accountant will return the request form to the requesting department with remark.

- Request not supported by budget needs to be approved by the Program head or the Executive Director provided that the deviation does not exceed 10% of the budget. If it exceeds the 10% threshold, the case should be discussed with the respective Donor for approval.

- Cheque Payment Vouchers and supporting documentation should be stamped PAID and the CPV No. and date inserted by the person who prepares the cheques.

- Cheque book stubs should be completed with payee's name, amount, purpose and Cheque Payment Voucher number.

4.1.3 BANK TRANSFER (USING LETTER)

- Bank transfer may be made using letter requests to the bank by mentioning the name of the beneficiary, the bank and of the bank account (if required).
- The requesting department which initiates the transfer should fill in the request for payment and get the approval from the designated officials.
- The bank notifies the payment action for the request by sending debit advice specifying the amount charged to PRO-POOR's bank account.
- The Senior Accountant should check the debit advice against the letter and request for payment.
- Letter request to bank for cash transfer should be approved by cheque signatories. Two extra copies should be retained, one for accounts and one for the record (central archive).

4.1.4 RECORDING

- Cheque Payment Vouchers should be recorded into the computer system on a daily basis on a batch mode to be updated on completion of documentation
- Bank debit advices are recorded when received from the bank.
- Where cheques are issued to suppliers through a purchaser, the original Cheque Payment Vouchers should be retained in the pad until the supporting documents are received. The accountant should record details of the cheque in a Cheque Memorandum Book and obtain signature of the purchaser for receipt of the cheque. On receiving the supplier's receipt/cash sales invoice from the purchaser, the accountant will enter the date and initial the memorandum book.

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- Cheques not collected within thirty days should be cancelled and reversed. Use the system VOID cheque tools to void your data entry, if the Computerized Accounting System allows, or reversing entry should be made if the system does not support.

- The debit advices collected from bank will be recorded by debiting the appropriate expenditure or receivable account against the bank account. The advices should be attached with the respective CPV or Journal Voucher.

4.1.5 BANK RECONCILIATION

If the adopted computerizes accounting system has a bank reconciliation features, the reconciliation shall be made using the system.

The following procedures should be observed when preparing bank reconciliation:

- All bank accounts must be reconciled monthly by an accountant that has not been involved in the preparation and issue of cheques or recording of the cheque payments and cash receipt into the Computerized Accounting System for internal control purposes.

- Reconciliation should be made in five days from the end of the month concerned.

- The bank reconciliation report *(SEE ANNEX 8)* will have two parts; the first is a summary report of cash movement (Beginning cash, month's collection, month's payment, any adjustments made during the month and balance). The second part starts the reconciliation process from statement balance, where uncleared deposits and unrecorded bank payments are added to the bank statement balance and unpresented cheques and unrecorded bank receipts are deducted there in order to agree with the balance per record.

- Bank reconciliations must be printed and signed by the accountant who reconciled the accounts and by the Senior Accountant for checking correctness by reference to the source documents of items reported as outstanding, and finally approved by the Senior Accountant and filed together with the bank statement.

- The Senior Accountant must make immediate follow-up with the bank regarding missing bank advices or deposits not cleared with in a reasonable time.
- Bank charges or interest income shown in the bank statement should be recalculated by the Senior Accountant to ensure that they are computed based on the agreement entered with the bank.
- The Bank does not issue debit advices for cost of cheque books, which should be journalized from the bank statements and not carried forwarded from month as reconciling items. Un-presented cheques that have been outstanding for more than six months should be reversed.

4.2 PETTY CASH

4.2.1 INTERNAL CONTROL

- Petty cash should be kept on the imprest system whereby the cashier is advanced a float of a fixed amount, which will always be represented by cash or vouchers.
- The petty cash float is Birr 3,000 which is subject to revision depending on the size and frequency of the PRO-POOR's transaction. The float shall be revised with approval of the ED and in consultation with PRO-POOR Management, if required.
- The amount of the petty cash float should be reasonable in relation to requirements and should not exceed about ten days normal expenditure.
- Only payments of up to Br. 1,000 should be made from petty cash. However, as stated in the policy the maximum amount could be revised as major changes occur in the volume of financial transaction by the approval of ED and/or the Management.

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- Cashiers should not have access to the accounting records or cheque books other than petty cash vouchers, petty report and request forms, cash receipt and bank deposit slips.

- Payments from petty cash must be requested using a payment request form which is signed by the requesting unit, checked by the budget accountant, authorized by Senior Accountant and recorded on pre-numbered petty cash payment vouchers *(SEE ANNEX 9)* in two copies.

- When it is not possible to get official (formal) receipt for payment it is essential to prepare internal invoice *(SEE ANNEX 12)* to be approved by the requesting department head before presented to accounts for settlement. The recipient of the cash should sign for receiving.

- Suspense advances must be approved and paid using a suspense voucher *(SEE ANNEX 11)* which should be adequately documented and settled within one week of payment. A detailed list of all pending suspense vouchers must be submitted to the Senior Accountant for review at the time of replenishment.

- Once the suspense voucher is replaced with Petty Cash Payment Voucher (or refunded in full) it has to be returned to the person signed for receiving the cash on the suspense. The person has to check and destroy the form.

- Periodic surprise counts should be made by the Senior Accountant or by accountant's when delegated.

- All paid vouchers/receipts and petty cash reports and requests must be stamped REPLENSHED and referenced to the cheque payment voucher number and date by which replenishment was effected.

4.2.2 RECORDING

- The petty cashier will record payments daily in numerical sequence on a petty cash summary and replenishment request form *(SEE ANNEX 10)* in two copies; the original form with supporting documents being given to the accounts when replenishment is required. The other copy will remain with the cashier. The amount of the petty cash float will be brought forward in the balance column, the balance being diminished by each payment made so that it always reflects the value of cash and suspense vouchers on hand.

- Petty cash payment vouchers are coded for journal entry and entered in to the computer individually by crediting the petty cash account.
- The Senior Accountant should count the cash on hand, inspect the suspense vouchers and agree them with the schedule prepared by the petty cashier and agree the totals with those reported on the petty cash report and request and forward to the Senior Accountant for approval.
- The Senior Accountant will check correctness of the petty cash report and request and he/she must also review the schedule of pending suspense vouchers to ensure that advances are being cleared within the prescribed time limit. The Senior Accountant then approves the summary and forward to the accountant who is in charge of cheque preparation.
- The petty cash report and request should be filed with the petty cash vouchers to which they relate in a separate petty cash payments file and not with the cheque payment vouchers.
- The Senior Accountant who checked the petty cash and replenishment form should sign for receiving of the petty cash documents from the cashier on the petty cash request & replenishment form.

5. MATERIAL STOCKS

Stocks are recorded as expenditure at the time of purchase. The details of internal control and recording procedures are described in the Procurement Manual of PRO-POOR.

6. PAYROLL

The pay method for payroll in PRO-POOR is a salary which is paid on a monthly basis.

6.1 INTERNAL CONTROL

6.1.1 Payroll preparation should be based on documents issued by the Finance Section with proper authorization. Such documents, including letter of employment, increments, transfers, demotions, overtime, annual leave, termination should be passed to the finance section as they arise and should be filed.

6.1.2 A complete personnel record should be kept by the Finance Section as per HR Manual of PRO-POOR.

6.1.3 Adequate work records, i.e. attendance records must be maintained to control the time that employees were present at work. The checking and approval of work records should be undertaken by persons not connected with payroll preparation.

6.1.4 Recurrent payroll information, like fines, absenteeism, and annual leave and the likes has to be passed by HR Section to finance section five days before the end of the month.

6.1.5 All new appointments must receive Budget clearance prior to vacancy announcement.

6.1.6 At least once in a year, the name of employees, rates of pay and other standing data on the payrolls must be verified for correctness against the personnel files by the Finance section.

6.1.7 Payrolls should be signed by the persons responsible for their preparation (Senior Accountant) and checking and should be certified by the Senior Accountant and finally approved for payment by the ED or his delegate.

6.1.9 As part of the control procedure reconciliation of each month's payroll basic pay with the preceding month, either in total or on a departmental basis should be made to identify errors and this should always be undertaken preferably before approval of the payroll.

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6.1.10 Payment of salaries/wages should be made by cashiers or banks.

6.1.11 Only the net amount of cash required for payment of salary should be drawn from the bank, deductions from payrolls being credited to creditor's' accounts (or staff debtors' accounts in the case of loan) and subsequently settled by cheque for the appropriate creditors.

6.1.12 Payment of salaries should be made direct to each employee against signature on the payroll for receipt. Salaries should only be paid to third parties on the written instruction of the employee concerned.

6.1.13 Cashiers may retain the payrolls and any unpaid balance of salaries for fifteen days after the date of salary payment to facilitate payment of salaries to persons who were absent. However, by the sixteenth day any unpaid salary must be listed and the cash deposited to the bank, a copy of the list of unpaid salaries being attached with the bank deposit slip. The cashier should also reference each unpaid salary on the payroll to the reference of the deposit slip before returning the payrolls to the accounts.

6.1.14 The finance section must receive the deposit slip of unclaimed salaries deposited.

6.1.15 The unclaimed salary will be repaid subsequently to the staff when claimed either using petty cash payment voucher or cheque payment voucher depends on the value involved.

6.1.16 Subsidiary account for provident fund payable should not be maintained by finance section. It is the responsibility of the bank to maintain a subsidiary record of provident fund for each employee. However, the finance section shall maintain a memorandum record by the name of each employee.

6.1.17 Payroll costs will be charged to each programme according to the staff assigned to serve the specific programme.

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